

# Weekly Brief

## Last Week's Recap

- Jakarta Composite Index : 6,619.8 (+0.43%)  
Foreign Investor : net sell of IDR474 billion (vs net sell of IDR1.58 trillion in prior week)  
USD/IDR : 13,668 (+1.06%)  
Yield Indonesia 10-year : 6.54% (+11.10 bps)

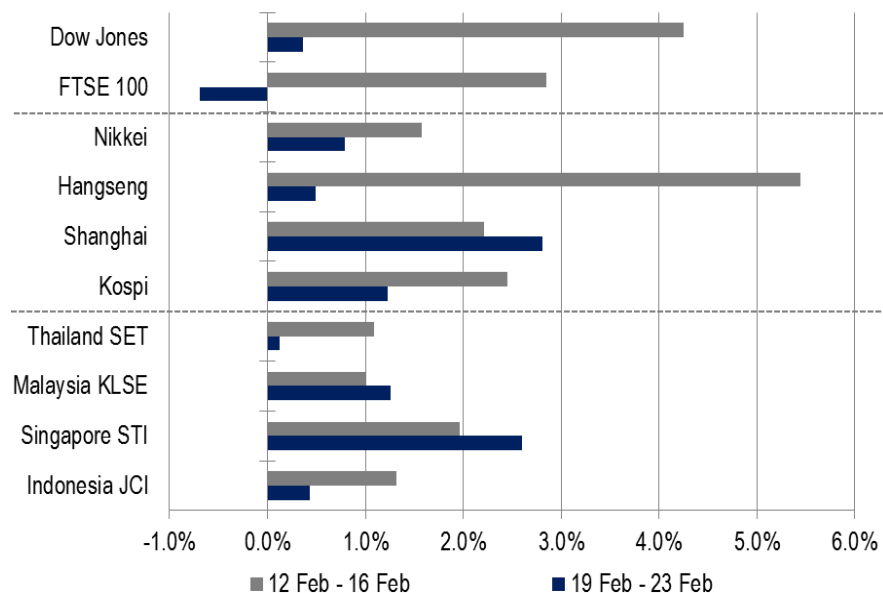
- **Confusion after the Release of Minutes of FOMC**

The release of minutes of the Fed's last meeting caused volatility in the global markets. The volatility is marked by the hike in the U.S. government bond yield into the level of 2.94%, the 4-year highest position. Markets digested the words "further gradual increases" as 4x hikes in the Fed's interest rate, higher than the current estimate of 3x rate hikes. The U.S. markets' shares initially considered the minutes of FOMC has dovish stance. However, the hike in the government bond yield triggered investors' concerns.

- **JCI's New Highest Record**

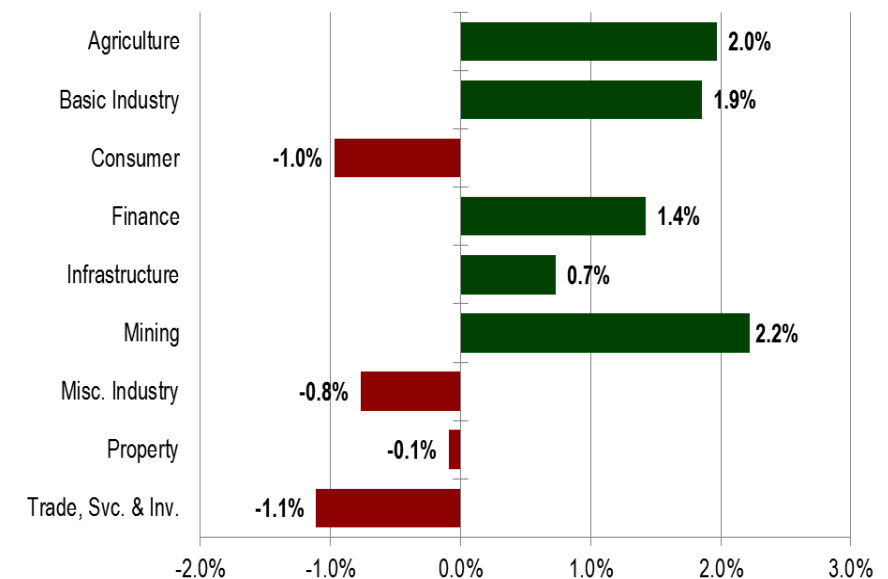
Indonesia's markets are capable of posting the new highest position at 6,693 even though rally in dollar and significant rise in the Indonesia's government bond yield. Investors keep their eyes on the release of companies' performance, particularly in the mining sector.

### Global Equity Market



Source: Bloomberg, NH Korindo Research

### Sector Index



Source: Bloomberg, NH Korindo Research

## This Week's Outlook

- **US Fed Chair Powell Testifies**

Jerome Powell will deliver his speeches dated Wednesday, 02/28/2018 and Thursday, 03/01/2018 before the Congress. Powell's testimony will be scrutinized for any sign of a more hawkish outlook. In particular, markets will be looking for any hint that the Fed's concerns on fiscal stimulus boosting inflation and possibility of 4 rate hikes.

- **Manufacturing Data**

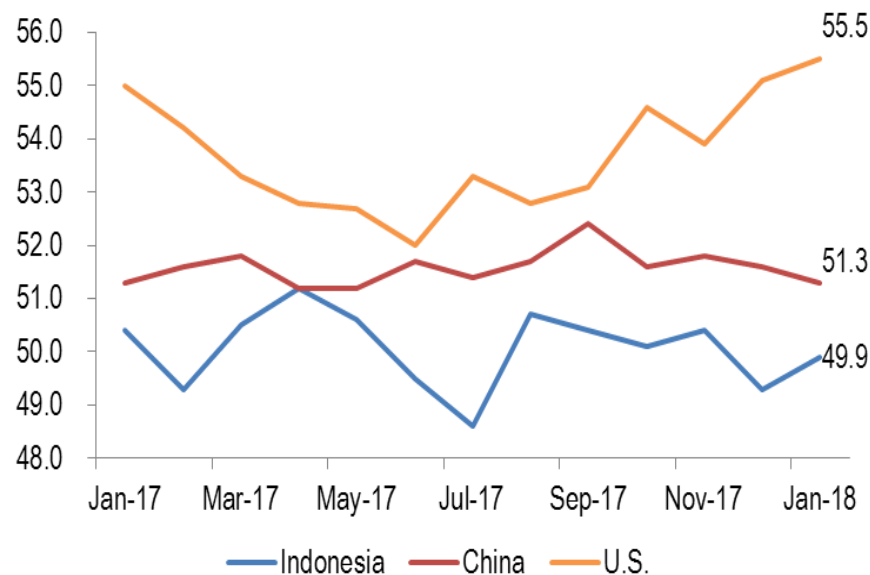
PMI manufacturing data from several major countries will be the focus. In US, markets will be looking on other signs of robust economy. Meanwhile, moderation is expected in China due to the week-long Lunar New Year holidays.

- **Indonesia's Macroeconomic Data**

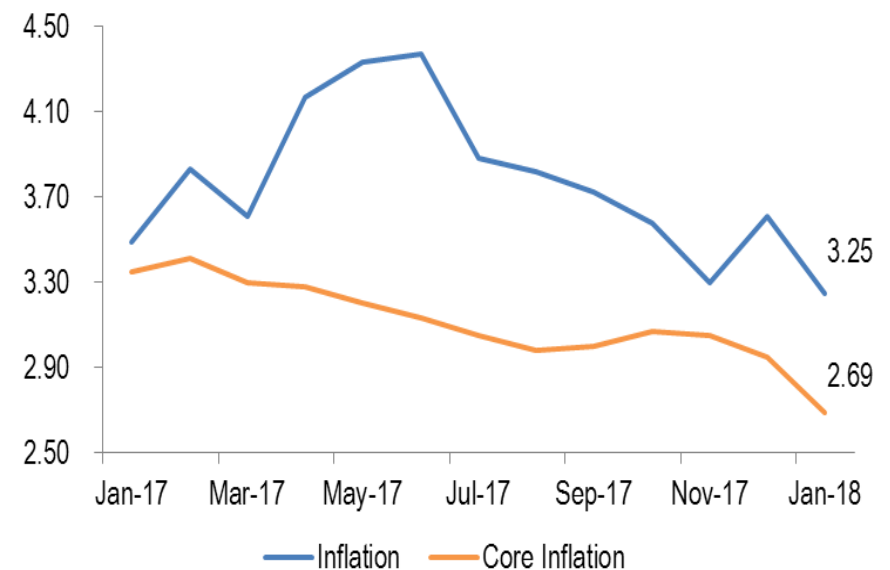
In Indonesia, markets will discern the inflation in February to be released on Thursday, 03/01/2018. Markets not only expect the stable inflation but also await the sign of ending decline in the core inflation. Additionally, markets will also await Indonesia's PMI manufacture data estimated to be in the expansion phase.

- For this week we see the room for further JCI's rally is still open with the **trading range of 6,550-6,750**

**PMI Manufacturing**



**Indonesia Inflation (%)**



## Japfa Comfeed Indonesia (JPFA – Poultry)

- **JPFA at A Glance**

PT Java Pelletizing Factory, Ltd (JAPFA) was established in 1971. After 10 years of its establishment, it penetrates into breeding operation with a view to integrating its business. In 1990, it acquired the assets of PT Comfeed Indonesia and it changed its name into PT Japfa Comfeed Indonesia Tbk. Currently, it has the second largest market share of animal feed and chicken breeding in Indonesia.

- **Implementation of Lowest Reference Price**

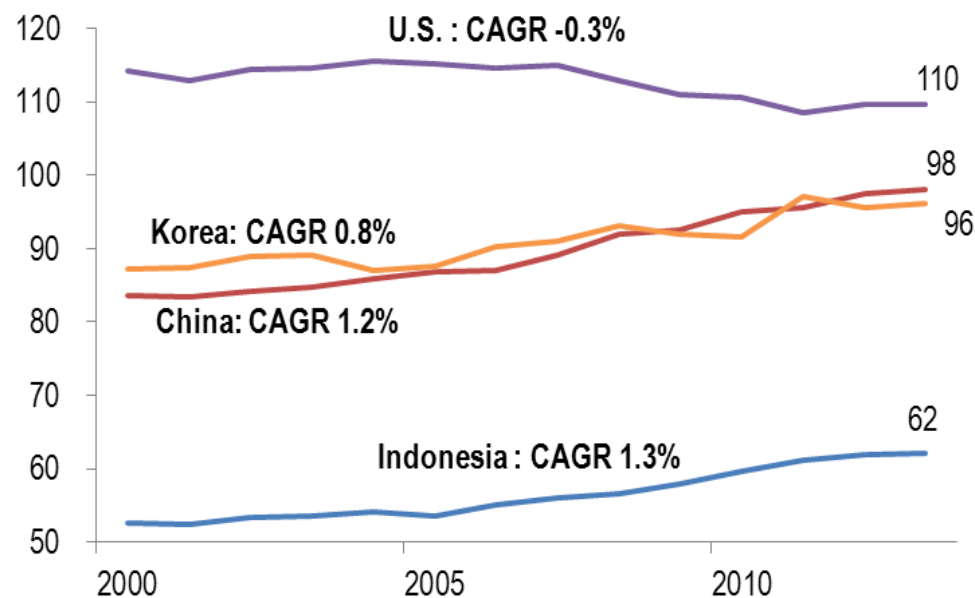
Under the regulation of the Minister of Trade Number 27/M-DAG/PER/5/2017 on purchasing reference price from breeders and selling reference price for consumers, the Indonesian government establishes broiler lowest reference price of IDR18,000/kg for breeders. If the market price for breeders is lower than the reference price, the government can assign the State Logistics Agency (Bulog) and State Owned Enterprises (BUMN) to conduct purchase pursuant to the established reference price. We oversee that from 2016-2017, the sales of broiler for breeders likely settles below IDR18,000/kg. The implementation of reference price will have a positive impact on either local or integrated breeders.

- **Cheaper Valuation**

JPFA has cheaper valuation than its peers (CPIN P/E 2018E : 15.9x; JPFA P/E 2018E : 10.3x). Besides, we also oversee that JPFA and CPIN dominate more than 50% feeds production capacity in Indonesia. As such, the growth figures of JPFA and CPIN will likely come in similar.

- **Weekly Range 1,530 – 1,700; Last Price: 1,580; Market Cap: IDR17.0 trillion; Free Float: 37.0%**

### Total Protein Per Capita Per Day (gram)



Source: OECD, NH Korindo Research

### Financial Summary (IDR bn)

	FY2016	FY2017E	FY2018E	FY2019E
Sales	27,063	30,019	33,793	37,970
<i>Sales growth</i>	8.2%	10.9%	12.6%	12.4%
EBITDA	3,563	3,006	3,424	3,993
Net profit	2,065	1,307	1,619	1,907
EPS (IDR)	181	115	142	167
<i>EPS growth</i>	340.9%	-36.7%	23.8%	17.8%
BVPS (IDR)	821	879	990	1,118
NPM	7.6%	4.4%	4.8%	5.0%
ROE	26.7%	13.5%	15.2%	15.9%
ROA	11.3%	6.5%	7.4%	8.1%
P/E	8.0x	12.7x	10.3x	8.7x
P/BV	1.8x	1.7x	1.5x	1.3x
EV/EBITDA	6.0x	7.4x	6.7x	5.9x
Dividend yield	1.0%	3.4%	2.2%	2.7%

Source: Bloomberg, NH Korindo Research

## United Tractors (UNTR – Coal Mining Contracting)

- **UNTR at A Glance**

UNTR is the subsidiary of Astra International group and concentrates its business in the mining sector. It has three major business segments, namely the sales of heavy machinery segment, the mining contract segment, and the coal mining segment. Each of segments has respective contribution of 37.1%, 47.4%, and 10.0%. It is the only heavy machinery distributor listed on the Indonesia Stock Exchange.

- **Aggressive Capex Allocation in Mining Contract Segment**

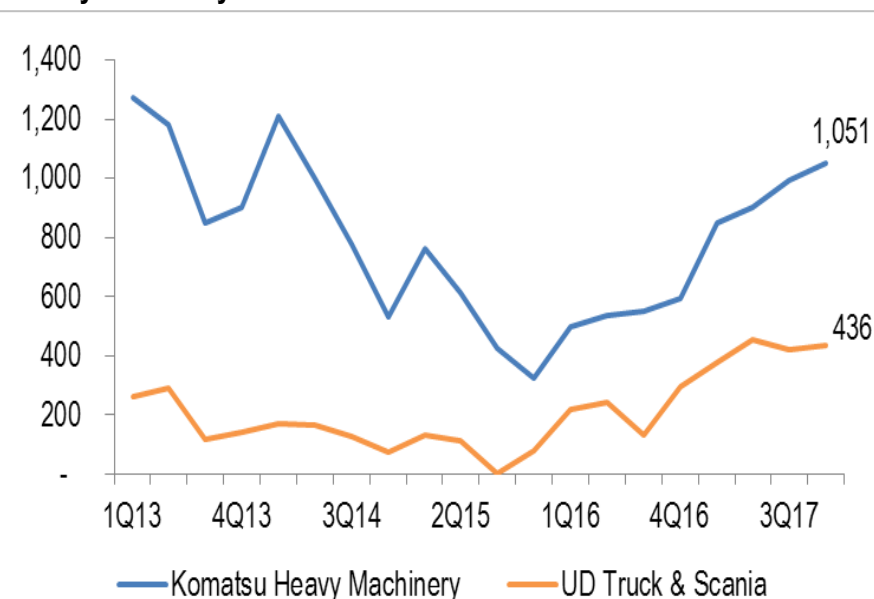
Uptrend coal price has given a significant impact on the business growth in the mining contract segment. In 2018, the mining business is estimated to post further growth. UNTR aggressively allocates the capex of USD800 million inclining by 40% y-y for its subsidiary, Pamapersada, operating business in the mining contract.

- **Uptrend Demand for Heavy Machinery**

The coal mining industry is estimated to consistently boost production in 2018 amid the stable coal prices. This backdrop hikes the sales of heavy machinery, particularly big-size machinery. The expectancy of growth in sales has clearly shown in the high indent order by consumer since 2017. The shipment of heavy machinery for indent order will be realized in 1Q18.

- **Weekly Range 35,400 – 39,600; Last Price: 37,000; Market Cap: IDR138.0 trillion; Free Float: 41.0%**

### Heavy Machinery Sales Volume



Source: Bloomberg, NH Korindo Research

### Financial Summary (IDR bn)

	FY2016	FY2017E	FY2018E	FY2019E
Sales	34,206	63,454	65,528	65,671
<i>Sales growth</i>	-30.7%	85.5%	3.3%	0.2%
Gross Profit	7,232	14,844	14,966	14,369
Net profit	3,729	8,095	8,150	7,949
EPS (IDR)	1,000	2,170	2,185	2,131
<i>EPS growth</i>	-3.2%	117.1%	0.7%	-2.5%
BVPS (IDR)	11,426	12,995	14,398	15,944
NPM	10.9%	12.8%	12.4%	12.1%
ROE	9.1%	17.8%	16.0%	14.0%
ROA	5.9%	11.1%	10.3%	9.6%
P/E	21.3	15.1x	15.0x	15.4x
P/BV	1.9x	2.5x	2.3x	2.1x
EV/EBITDA	8.3x	7.0x	8.6x	8.7x
Dividend yield	2.7%	2.1%	2.1%	1.7%

Source: Bloomberg, NH Korindo Research

## Bank Mandiri (BMRI - Bank)

- **BMRI at A Glance**

BMRI is the second biggest bank in Indonesia after BBRI. In 2017, it distributed the credit of IDR730 trillion or around 15% from the total credit distributed in Indonesia. Besides, it is the most credible bank among other banks in Indonesia in term of the corporate segment.

- **Room for Growth in Credit**

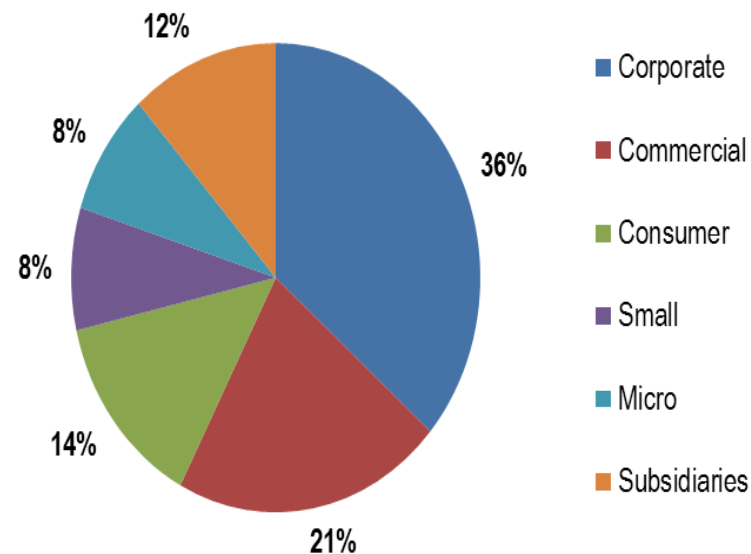
Although the banking industry is loomed by lagging growth, BMRI is capable of posting the stable credit growth at the average of 10% within the last two years. It is bolstered by the robust performance of the corporate segment with the average growth of 15%.

- **Penetrating More on Consumer and Micro**

We project that it will achieve the growth of 12.4% in 2018. The robust corporate segment coupled with the consumer and micro segment of which contribution is concertedly boosted will bolster the room for growth in credit. The consumer and micro segment is capable of posting the current growth of 20%. The contribution of the consumer segment is targeted to hit 19% in 2020 with the focus on mortgage loan, automotive credit, and payroll-based credit, particularly for employees of companies which are the corporate clients of BMRI.

- **Weekly Range 8,300 – 8,925; Last Price: 8,550; Market Cap: IDR391.5 trillion; Free Float: 40.0%**

### Credit Distribution Segment



Source: Bloomberg, NH Korindo Research

### Financial Summary (IDR bn)

	FY2016	FY2017	FY2018E	FY2019E
Interest Income	76,710	79,502	86,785	97,067
<i>Growth</i>	7.2%	3.6%	9.2%	11.8%
Operating Revenue	72,490	75,981	82,156	93,885
Net profit	13,789	20,640	24,162	28,925
EPS (IDR)	295	442	518	620
<i>EPS growth</i>	-32.2%	49.7%	17.1%	19.7%
BVPS (IDR)	3,286	3,643	4,009	4,443
Net Interest Margin	8.9%	5.3%	5.4%	5.5%
Loan/Deposit	85.7%	88.5%	89.1%	90.9%
ROE	10.1%	12.8%	13.5%	14.7%
NPL	4.0%	3.5%	3.2%	3.2%
P/E	19.6x	18.1x	17.0x	14.2x
P/BV	1.8x	2.2x	2.2x	2.0x
Dividend yield	2.3%	2.5%	2.7%	3.2%

Source: Bloomberg, NH Korindo Research